

Qualifying

Basic Eligibility Requirements for SBA Loan

- 1. Be an operating business
- 2. Be organized for profit
- 3. Be located in the United States
- 4. Be small (as defined by SBA)
- 5. Demonstrate a need for the desired credit.

Qualifying

Your borrowing power is based on what lenders refer to as the "Five C's" of credit:

- *Capacity* (ability to repay)
- *Capital* (money being invested in the business)
- *Collateral* (your assets that secure the loan)
- *Character* (you and your credit history) Business and Personal
- *Conditions* (anything that will affect your business, economy, finances, experience, competitors)

Qualifying

Ineligible Businesses

- ◆ Non-profit organizations
- ◆ Charitable organizations
- ◆ Illegal activities
- ◆ Businesses or business owners who have defaulted on a federal loan or federally-assisted financing that caused a loss to the government

Types of Loans

Microloans

- Amounts up to \$50,000
- Up to seven year terms
- Loans from nonprofit SBA Intermediaries
- Negotiated interest rates
- Usual business purposes except real estate
- Training and technical assistance

Types of Loans

7(a) Loan Program

- Flexible loan structures and uses
- Made by banks and other lenders with SBA guaranty
- Broad eligibility requirements
- Loans up to \$5 million
- Interest rate caps at prime + x percent
- 7-25 year terms

Types of Loans

Special Purpose 7(a) Loan Programs

- SBA Express – fast \$350k
- Caplines – contracts, seasonal, builders, revolving
- International Trade – long term financing to compete internationally
- Export Express – higher guaranty to promote exports
- Export Working Capital – inventory for export

Types of Loans

504 Loan Program

- The 504 Loan Program provides small businesses with long-term, fixed-rate financing to acquire real estate and major fixed assets (up to \$5.5 million)
- Cooperative financing:
 - Bank – 50%
 - SBA through Certified Development Company – 40%
 - Business Owner 10-20% *

* An additional 5% is required for new businesses and 5% for special purpose properties.

Preparation

Information for Loan Application

Business

- Did your business make a profit last year?
- Do you have formal training/experience in your field of business?
- Have you completed a business plan with 2 years of financial projections?
- Do you have proof of owner equity?
- Have you had 3 or more months of sales or do you have contracts for future sales?

Owner

- Have you or the business ever filed for bankruptcy?
- Do you have any pending legal issues?
- Do you have any outstanding child support?
- Have you ever defaulted on any federal contract or loan?
- Have you had any personal or business bank accounts with checks returned due to insufficient funds?
- Will a credit report show that you have been current with creditors over the past 2 years?
- Have you addressed any derogatory statements on your credit report?

Locate Lenders

Resource Guide listings

Work with the bank where you have deposits

Seek a referral from other business associates

Seek micro lenders for small loans and additional technical support

Meet with a few different lenders before making a formal application